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MEMORANDUM

NATIONAL SECURITY COUNCIL

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April 12, 1974

MEMORANDUM FOR: SECRETARY KISSINGER
 RICHARD H. SOLOMON *RHS*

FROM:

SUBJECT: The PRC's Domestic Political Situation
 and Foreign Policy as a Context for Your
 Meeting with Teng Hsiao-p'ing and
 Ch'iao Kuan-hua

Your meeting with Vice Premier Teng Hsiao-p'ing and Vice Foreign Minister Ch'iao Kuan-hua comes at a time when the leadership in Peking appears polarized in a political standoff. Premier Chou (who by all evidence remains backed by Mao) leads the forces attempting to reassert Party rule and economic rationalization, with the regional military commanders and ideological "left" in the Party resisting policies and personnel changes which would undercut their influence. While the focus of the struggle is thus on domestic issues, foreign policy considerations appear to have become caught up in the on-going leadership debate in the past several months, and now include such basic questions as defense policy and Sino-Soviet relations, the impact of foreign visitors and imported technology on Chinese society, and the issue of whether or not to compromise the policy of economic self-reliance by financing imports with medium term commercial credits. Most recently, there is evidence that the U.S. position on Taiwan has become a matter of debate, with some leaders probably questioning the "soft" approach of the Chairman and Premier as in fact not bringing about a weakening of the Nationalist government because of continuing American political and economic support.

This leadership polarization has been expressed since mid-January in a growing disparity between radical and contentious media rhetoric (particularly on cultural issues long identified with Mao's wife) and contrasting substantive developments such as the political rehabilitation of Teng Hsiao-p'ing which would be unacceptable to radical elements in the leadership. Thus, while Mao and Chou appear to retain the upper hand in the domestic struggle, they evidently find it increasingly difficult to control the terms of debate. We anticipate that the political tension evident in this disparity between polemic

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and practise will not endure for long, as specific individuals within the provincial and central leadership are now coming under direct attack. At the new year we were confident that the Premier would come out of this conflict in the dominant position, but as time goes by it becomes increasingly difficult to clearly identify the structure of power in Peking or estimate Chou's relative strength in the power balance.

There is little that the U.S. can do directly in a positive way to influence the course of these events in a direction which will be favorable to those we have been dealing with over the past four years, although reassurances to leaders such as Teng and Ch'iao on our commitment to "normalization" of U.S.-PRC relations, clarification of our position on Taiwan, and a positive statement of our intention to follow through on the question of the U.N. Command in Korea should be helpful. Clarification of the current status of our relations with the Soviets and the Middle East situation would also be useful. Teng Hsiao-p'ing, in particular, has been identified as a leader hostile to the Russians, given his role in promoting Peking's dispute with Moscow in the early 1960s.

The Pattern of China's Domestic Political Conflict

Since the summer of 1970 the main trend in the PRC's domestic politics has been the shifting of power away from the military and radical leftists back to the Party and state bureaucracies. This process was accelerated by the death of Lin Piao and the concurrent eclipse of the central military leadership. The Tenth Party Congress of August 1973, however, brought to the surface strong resistance to the continuing erosion of power away from those who had gained it during the Cultural Revolution. The brief and secretly convened session was largely a stand-off -- although Chou En-lai probably supported the rapid advancement of young radical Wang Hung-wen as a way of splitting the left and boxing out of the Politburo Standing Committee both Mao's wife (Chiang Ching) and her cohort Yao Wen-yuan. Despite the sharpening debate in the press during the fall on the Confucius theme, the late December reshuffle of eight key military regional commanders (three of whom are members of the Politburo, with the others being on the Central Committee) and the rehabilitation to an active political role of Vice Premier Teng Hsiao-p'ing -- with Chairman Mao's active support -- gave strong evidence of Premier Chou's ability to control key organizational decisions.

In this context, the onset of the public campaign to criticize Confucius and Lin Piao in early February seemed to indicate further efforts on Chou's part to move against the military and political left. The concurrent surfacing of shrill polemics on cultural matters, however, and the erratic course of the

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public criticism as revealed in a series of People's Daily editorials which in late February and March gave conflicting signals about the objectives and pace of the campaign, gave evidence of counterpressure against the Premier from those under attack. A number of internal PRC documents reported by SRF sources have indicated that Mme. Mao has been bidding for the support of certain military elements in order to establish a counter-coalition which would protect her position.

Since mid-March there has been an apparent stalemate at the political "center" in Peking. The leadership seeks to convey an air of unity, as has been expressed in a number of public turnouts which have brought together for mass observation the entire political spectrum of the central elite. Underneath this temporary balance at the center, however, the political struggle rages on. Increasingly personalized attacks on regional military figures (including one who is a Politburo member) and provincial leaders in more than one-third of China's provinces, as well as on-going polemics in the press on a wide range of policy issues, suggest that the lines of combat are being ever more sharply drawn and that before long heads will roll.

Is Premier Chou likely to ride out the present period of conflict? We see no indication that he has been "deserted" by the Chairman; and the fact that he was both willing and able to have Teng Hsiao-p'ing (certainly no friend of Mme. Mao) leave Peking to head the PRC delegation to the U.N. special session suggests a basic strength to the Premier's position. In addition, the return to Washington of Ambassador Huang Chen -- who is a personal associate of several key military figures -- also suggests that Chou is able to spare an important associate from domestic political duties and as well remains willing to maintain a visible relationship with the U.S. despite internal problems. Yet only time (or perhaps private comments to you by Huang, Ch'iao, or Teng) will tell the real strength of the Premier's opposition and how effectively he is able to outmaneuver them.

Foreign Policy Issues in the Debate

Peking's public media, SRF, and diplomatic reporting provide only clues to foreign policy themes which may be involved in the current leadership struggle, but it is our sense that such issues have been increasingly drawn into the debate in the past several months as the protracted struggle evolves. In late February Ch'iao Kuan-hua told the Australian Ambassador to Peking that "there are still people who disagree with current defense policy," thus reinforcing the impression we had gained from a particularly suggestive historical polemic published in Red Flag last November that the regional military commanders had questioned the policy of contact with the U.S. as a

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way of resisting Soviet pressures. Lin Piao appears to have raised this same question in early 1971 in opposition to the Mao/Chou policy of opening to the U.S.; and back in 1959 the then Defense Minister P'eng Teh-huai attacked Mao for alienating the Russians on defense matters. Thus, we must assume that the military in China readily sees a strong rationale for protecting PRC security interests by eliminating tensions with the Russians rather than by balancing Soviet pressures with a relationship to the Americans. In this light, the stridency of recent Chinese attacks on the Russians -- including the high-profile expulsion of five Soviet diplomats from Peking in February on charges of spying -- suggests that Mao and Chou must maintain constant political pressure to make the anti-Soviet (or at least the pro-U.S.) line stick. Certainly the recent shift in focus of PRC foreign affairs activity toward underdeveloped countries suggests a desire to gradually develop a "third world" strategy if not to actually back away from their contacts with us.

In less global terms, Peking's attitude toward Cambodia has -- since mid-1973 -- been something of a bellwether of political pressure on Chou En-lai. Chou's testiness on this issue in advance of the Tenth Party Congress last August suggested he was being criticized because of American support for the Lon Nol government. Given this background, it is worth noting that the first unfriendly personal reference to the President that we have seen in PRC media for a long time was a low-key but explicit comment on February 5 to Mr. Nixon's letter of support for Lon Nol. More recently, the fulsome public support which Peking has given to the Cambodian insurgent leadership, including a mass rally in the capital on April 2, a lengthy session with Chairman Mao for Khieu Samphan and Sihanouk, and a Chou En-lai speech which contained a deriding reference to the President's "generation of peace" theme, suggest continuing domestic pressure for a more radical foreign policy posture, at least on third world issues.

Thus far, Peking's increased rhetorical radicalism on Cambodia and other issues has not been matched by substantive changes in policy; however, it may be worth noting a report from Ambassador Bruce that the French Ambassador in Peking passed on to him views purportedly expressed by Premier Chou to visiting Algerian leader Boumedienne in late March to the effect that China was anxious to see if a negotiated arrangement could not now be worked out for Cambodia. The French are hardly a reliable reporting channel, but in the context of the present public highlighting of Cambodia in the PRC it could well be that movement on this issue would be welcomed by the Premier.

Taiwan has also surfaced in Peking in recent weeks as a contentious issue. Shortly after the announcement of Leonard Unger's appointment as our new

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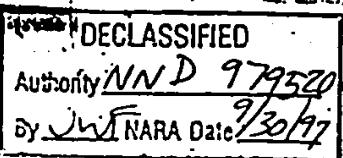
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Ambassador to Taipei we began picking up expressions of concern by Chinese officials via SRF channels; and on February 28 PRC media took a decidedly tougher line on the island -- eliminating after some editorial pulling and hauling the "peaceful liberation" theme which had been emphasized last year -- thus suggesting that the issue was under debate. Then on April 2 Ch'iao Kuan-hua directly raised the matter of the Unger appointment with Ambassador Bruce. While the Vice Foreign Minister reaffirmed that our basic relationship was still in tact, he commented that the U. S. "should not go too far" on the Taiwan question. Ch'iao thus reinforced Chou En-lai's comment to a visiting African diplomat a few weeks ago that he doubted if there would be progress on the Taiwan issue as long as the U.S. is "giving blood transfusions" to the island. A recent SRF report from Tokyo quotes a PRC official as saying that Teng Hsiao-ping will seek from you a clarification of our position on Taiwan, and as well evaluate the U. S. domestic political scene. On the basis of Teng's report back to Peking, the leadership will review its policy toward the U. S. In this situation, you may wish to consider various symbolic moves we might take which would visibly signal further movement toward fully normalizing U. S. - PRC relations.

Mixed Signals in U. S.- PRC Bilateral Relations

As the PRC domestic political situation has destabilized, and in the context of signs of Chinese concern about our intentions toward Taiwan, Peking has taken an increasingly aloof posture toward the U. S. in bilateral contacts -- particularly those of an official nature. We still have no reply to our last proposal of December 22, 1973 on a solution to the claims and blocked assets problem, other than the sharp retort of "blackmail" when the issue was raised indirectly during preparations for the special PRC flights to the U. S. in association with the current U. N. session. The exchange program remains stalled at the level of semi-official contacts (the Governors' and Congressional visits which were agreed to in principle last November) although "people-to-people" cultural and scientific contacts continue. The PRC Liaison Office informed us only last week of three such exchanges which will be held on schedule this spring. At the same time, our trade relations are now characterized by greater uncertainty in the face of PRC unwillingness to send to the U. S. in June a delegation from the China Council for the Promotion of International Trade (as was agreed to last November), and in view of an uncooperative attitude by PRC officials in Peking to working with USLO in developing a solution to the wheat smut problem. Private trading contacts continue to be active, however.

In sum, at an authoritative level PRC leaders privately express to us the position that there has been no deterioration in our relations, yet at the



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operational level the Chinese are showing greater aloofness and lack of cooperation in their dealings with the USG -- presumably because of their domestic political situation and concern about Taiwan. While Huang Chen's return to Washington is undoubtedly a positive sign of the desire to maintain authoritative contact, the problems at the operational level will probably generate an increasingly uncertain bureaucratic and public mood in the U. S. about the state of our bilateral relations with the PRC.

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TENG Hsiao-p'ing
 (Phonetic: deng)
 (6772/1420/1627)

又β 小 手

Vice Premier, State
 Council

Addressed as:
 Mr. Vice Premier

PEOPLE'S REPUBLIC OF CHINA



Teng Hsiao-p'ing,
 Vice Premier of the
 State Council, will lead
 China's delegation to
 the forthcoming Special
 Session of the UN General
 Assembly. He will be the
 highest level official

to visit the United States since the formation of
 the People's Republic of China in 1949. The
 second highest ranking victim of the Cultural
 Revolution (1966-69), Teng, 69, reentered public
 life as Vice Premier in April 1973. Elected to
 the Chinese Communist Party's 10th Central Com-
 mittee (CCP-CC) in August 1973, he was promoted
 to the Politburo in January 1974. In addition, he
 apparently became a member of the CCP-CC's Military
 Commission.

Teng studied in the Soviet Union in 1925 and
 subsequently held an impressive array of political
 and government posts. Named a Vice Premier and
 Minister of Finance in 1952, he became a member of
 the Politburo and general secretary of the party
 in 1954. Teng represented the CCP in critical
 meetings with leaders of the Communist Party of the
 Soviet Union in the early stages (1960-63) of the
 Sino-Soviet rift. At these sessions he forcefully
 presented the Chinese position on major ideological
 issues.

Since his rehabilitation Teng, who was reputedly
 a tough, energetic political administrator before
 his purge, has shown a lack of confidence in his
 conversations with visitors, seeking reassurance
 from accompanying PRC advisers.

4 April 1974

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